

# United States Senate

COMMITTEE ON COMMERCE, SCIENCE,  
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

September 16, 2009

Senator Max Baucus  
Chairman  
U.S. Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, D.C. 20510-6200

Senator Charles Grassley  
Ranking Member  
U.S. Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, D.C. 20510-6200

Dear Chairman Baucus and Ranking Member Grassley,

It is my understanding that the Chairman's health reform proposal contains a provision to expand consumer health insurance cooperatives (co-ops) as an alternative to a strong public health insurance plan option. As I have stated many times, I believe the inclusion of a strong public plan option in health reform legislation is a must – it is the only proven way to guarantee that all consumers can purchase affordable, meaningful, and accountable health insurance. I also believe a public health insurance option is the only way to bring true price competition to the health care marketplace.

Recognizing the interest that some Members of the Finance Committee have in pursuing the cooperative health insurance model, I set out to learn more about the history of health insurance cooperatives in the U.S., the number of health insurance cooperatives currently in existence, and the nature and level of state and federal oversight. Specifically, as Chairman of the Commerce Committee, I wrote letters to the National Cooperative Business Association (NCBA), the United States Department of Agriculture (USDA), and the Government Accountability Office (GAO) requesting detailed information about the current role of health insurance co-ops in our health care system. What I found was astounding and causes me even greater concern about the direction of the Finance Committee package.

First, there has been no significant research into consumer co-ops as a model for the broad expansion of health insurance. What we do know, however, is that this model was tried in the early part of the 20<sup>th</sup> century and largely failed. As the USDA states in its response letter, "Government support for the cooperative approach to delivering universal health care was reduced during [World War II] and terminated afterward." This is a dying business model for health insurance. Moving forward with health insurance cooperatives would expose Americans, who are hoping for a better health care system, to a health care model that has already been tried and largely failed in the vast majority of the country.

Second, there is a lack of consistent data about the total number of consumer health insurance cooperatives in existence today, and there have been no analyses of the impact of existing health insurance cooperatives on consumers. The information submitted by the USDA and NCBA suggests there are only between 4 and 7 consumer health insurance cooperatives operating in the U.S. today. According to NCBA, consumer health insurance cooperatives only exist in the Northwest, and NCBA identifies only a total of five.<sup>1</sup> According to the USDA, “on the consumer side, five health maintenance organizations and two health insurance companies are identified as operating on a cooperative basis.”

Third, all of the consumer health insurance cooperatives identified by the USDA and NCBA operate and function just like private health insurance companies. Therefore, it is unclear how expanding consumer health insurance cooperatives would actually achieve greater affordability for consumers or bring about greater competition in the private market. This further substantiates my point that health insurance co-ops are not a real alternative to private health insurance and they are not a substitute for a strong public plan option, and we should not suggest to the American people that they would be.

Finally, there have been no analyses of the regulatory structure for existing health insurance cooperatives. Both the GAO and NCBA have indicated that there needs to be more research into the role of cooperatives. Consumer health insurance cooperatives are currently regulated by the states, and there have been no studies conducted to evaluate the consumer experience with them. It seems to me that, if you are proposing to implement consumer health insurance co-ops on the scale contemplated by the Finance Committee, then you certainly should know what has been the experience with them so far – are their boards run by consumers in a strict sense or are they run by representatives of the insurance industry, are there appropriate standards in place to prevent fraud and abuse, do they behave any differently than private insurers, and do they reduce costs. Health insurance cooperatives simply have not been proven to meet the policy goals of cost-containment, transparency, and innovation that a public plan option guarantees.


Given that two of the overarching goals of health reform are to improve the affordability of health insurance for consumers and bend the unsustainable cost curve for health care expenditures, the fact that there is an absolute dearth of analysis about health insurance co-ops and their impact on consumers is extremely disconcerting. Moreover, I believe it is irresponsible to invest over \$6 billion in a concept that has not proven to provide quality, affordable health care, when we know that a public health insurance option will rein in costs and save taxpayers billions of dollars.

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<sup>1</sup> The Group Health Cooperative of Washington serves Washington and Oregon. HealthPartners and First Plan serve Minnesota, although it is important to point out that First Plan is actually an independent licensee of the Blue Cross Blue Shield Association, and does not appear to be a consumer health insurance cooperative at all. Group Health Cooperative of Eau Claire and Group Health Cooperative of Southern Wisconsin serve the state of Wisconsin.

I hope that you will find the attached letters informative as we continue to debate how to transform our broken health care system. I firmly believe that the health care reform we are striving to achieve must control runaway costs and provide all Americans with affordable, meaningful, and accountable health care coverage. The responses I received from the NCBA, USDA, and GAO lead me to conclude even more earnestly that the best way to accomplish this goal is not through the revival of health insurance cooperatives, but by giving consumers the option of buying a public health insurance plan. I strongly urge you to include language in the Manager's amendment that removes the health insurance cooperatives provisions.

Sincerely,

A handwritten signature in blue ink, reading "Jay Rockefeller". The signature is fluid and cursive, with the first name "Jay" and the last name "Rockefeller" clearly legible.

John D. Rockefeller IV